# Benchmarks for the resource constrained

Having worked with over thirty private higher education institutions, certain financial and operational characteristics have been common amongst those who are healthy. While it would be wonderful if an institution met each of these standards, it is important to note that all of these or even a majority can slide below the ideal if a few of the benchmarks are way above expectation. For instance, if a private college or university generates 30% of its revenues from non-student sources, metrics based on net tuition can be more fluid.

As one can appreciate, the list reflects the genre in which CFO Colleague tends to be engaged. These institutions have lower levels of endowment and receive precious little from sources other than student net tuition, room and board. Compounding these resource constraints is a fall-off in demand on the heels of the Great Recession, necessitating an annual effort to recalibrate operations.

**Commitment to healthy financial operations**

1. Annual traditional net tuition per (NTR) student $\geq$ \$14,000
2. First time freshman traditional tuition discount $\leq$ 50%
3. Advancing NTR per student three years forward for first time freshmen should be greater than current NTR for Seniors (micro price inflation)
4. Non-student revenues (donations and unrestricted investment returns primarily) $\geq$ 12% of operating revenue. (Student revenues include net tuition, fees and auxiliary revenues)

5. Endowment value ≥ 150% of the annual operating budget.

6. Traditional student to faculty ratio ≥ 17:1 with ≤ 15% of traditional classes having 9 or fewer students in them.

7. Faculty: ≤ 10% Instructor, ≥ 40% Asst. Professor, ≤ 30% Associate, ≤ 20% Professor.

8. Overall faculty load assigned to non-teaching appointments (release time) ≤ 5%

9. Non-traditional NTR ≥ 40% of overall NTR

10. Non-traditional net contribution ≥ 40% of NT revenues after facility and overhead costs.

11. Average non-traditional class size ≥ 15 students

12. Non-traditional classes taught as overload or by adjuncts ≥ 85%

13. Annual overall cost of fundraising ≤ 50% of unrestricted annual fund contributions.

14. Cost of external affairs (Advancement, PR, Alumni Relations/Publications, Institutional Marketing) ≤ 2% of operating revenues

15. Auxiliary net contribution covering the costs of student life and athletics while generating a surplus ≥ 5% of auxiliary revenues

16. Total salary and benefit costs ≤ 60% of operating expenses.

17. Total Salary and benefit costs ≤ 70% of net tuition revenue

18. Student receivables ≤ 2% of annual student revenue at year end.

19. Budget contingency ≥ 2% of operating revenues

20. Capital spending plus net principal payments $\geq$ 120% of annual depreciation expense.

21. GAAP-based change in unrestricted net assets (surplus) $\geq$ 4% of operating revenue

22. Long-term debt $\leq$ 50% of annual operating revenue.

23. Debt service (principal and interest) $\leq$ 4% of operating revenue

24. Operating line of credit (LOC) $\leq$ 5% of operating revenue

25. (Cash + Investments – Temp & Perm Restricted Net Assets - LOC outstanding) $\geq$ 25% of annual operating expenses

**Commitment to employees**

26. Matching 403(b) contribution of at least 6%

27. Employee health care costs covered by institution $\geq$ 80% of premiums

28. Dedication of $\geq$ 20% of operating surplus toward a summer bonus payment to on-going employees (end of July payout).

**Commitment to planning**

29. Demonstrated commitment to budgetary discipline:

    a. budgeting based on the lower end of the range of revenue expectations
    b. the uncoupling of budgetary assumptions from revenue goals for enrollment, financial aid and advancement (departmental goals exceeding budget)
    c. spending less than the overall expense budget

30. Formal five-year forecast with pro-forma balance sheet, income statement, cash flows and ratios, supported by owned projections of driving activities.

Again, these are not hard and fast rules but if the vast majority are under expectation and no major revenue sources are available to offset that performance, it is presumed that the institution is struggling.